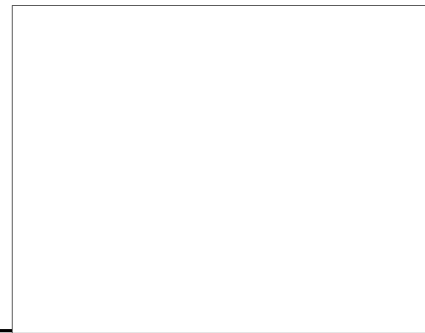




**Director of  
Central  
Intelligence**

~~Top Secret~~



# **National Intelligence Daily**

**Thursday  
19 November 1987**



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**Top Secret****IRAN-IRAQ:****Damage to Bushehr Nuclear Power Station**

***The Iraqi attacks Tuesday on Iran's partially completed Bushehr nuclear power station caused only moderate, reparable damage, but they will hinder Tehran's ability to obtain the foreign assistance needed to complete the facility.*** [redacted]

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According to West European media reports, the staff of a West German engineering firm had been at Bushehr to test the status of on-site equipment. One of these engineers was among those killed in the attack, and the others are leaving Iran. [redacted]

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Meanwhile, the head of Iran's Atomic Energy Agency has warned publicly of the potential for a radiation release comparable to that of the Chernobyl' disaster and has called for the International Atomic Energy Agency to send teams to Bushehr to check for radiation and to inspect equipment. According to a report from the US Mission in Vienna, the IAEA has yet to decide how to respond. [redacted]

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**Comment:** There probably will be no radiation released as a result of the attacks. Uranium for the reactor fuel is still in West Germany, [redacted]

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[redacted] The Iranians do have some safeguarded, highly radioactive material in their US-built Tehran research reactor but probably have no way to move it to Bandar-e Bushehr. Even if they had done so, the type of damage and the possible quantity of material involved would not result in any significant emission of radiation. [redacted]

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The generator and control buildings probably could be repaired, but the attacks and casualties will make it even more difficult for Iran to obtain needed foreign assistance. Foreign firms that had been negotiating for the work had already refused to send large numbers of employees to the site for extended periods. [redacted]

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Iraq may lose standing in international nuclear forums, where it has stridently opposed attacks on civilian nuclear facilities following Israel's attack on its Tuwaitha research reactors in 1981. [redacted]

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**INTERNATIONAL: Downward Pressure on Oil Prices**

***Downward pressure on oil prices is building because OPEC members—led by Iran—are offering price discounts in an attempt to sustain their share of the market.*** [redacted]

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Substantial overproduction by OPEC members in recent months and an unwillingness to reduce exports sharply this month has driven the average price of crude oil down by more than 50 cents in recent weeks to about \$17.75 per barrel. Spot prices for several OPEC crudes have fallen to about \$1.50 below official prices, which has induced members to offer discounts to maintain exports. [redacted]

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Many members—including all of the Persian Gulf producers except Saudi Arabia—are already providing slight discounts to sustain exports, [redacted] Although Saudi output so far this month reportedly remains near its quota, exports are more than 500,000 barrels per day (b/d) below last month's levels. [redacted]

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The US and French embargoes on Iranian oil are adding to the fall in prices as Tehran is having difficulty replacing customers. Iran is trying to sell more oil to Eastern Europe, [redacted] but is having only modest success. Iran's net oil exports reportedly are as low as 1.3 million b/d—down about 1 million b/d from the yearly high in August. [redacted] Iran has recently sold oil at nearly \$2 per barrel below official prices. [redacted]

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**Comment:** The decision by Iran—a strong advocate of high oil prices—is a major blow to OPEC. Pressure is now mounting on Saudi Arabia to allow its exports to fall and try to keep the OPEC agreement from unraveling or to begin offering discounts of its own. Riyadh probably will not allow its production to fall for very long in the face of widespread discounting by other members. If it begins to offer market-related prices to sustain its share of the market, prices would erode sharply. Under these conditions, Iran probably would attempt to intimidate Riyadh to alter its policies. Tehran's options include increased attacks on ships transporting Saudi oil, terrorism, or attacks on Gulf oil facilities. [redacted]

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**ANGOLA:****Widespread Fighting Continues**

*Angolan brigades are pulling back under continuing attacks by UNITA and South African forces, while the insurgents continue guerrilla operations throughout the northern and central provinces.* [REDACTED]

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UNITA forces continue to conduct operations throughout the country. UNITA claims to have shot down a Soviet-piloted transport aircraft—possibly an IL-76—approaching Huambo last week. [REDACTED]

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**Comment:** UNITA and Pretoria are attempting to inflict maximum casualties and drive the Angolans back to Cuito Cuanavale. If their attacks prove successful, the combined forces may seek to overrun government positions in the town itself. The intensity of the fighting probably will diminish by the end of this month, however, as increasing rainfall impedes large-scale tactical operations. Moreover, many South African conscripts will be due for release next month after completing tours of duty. [REDACTED]

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UNITA will probably increase guerrilla attacks throughout the country to maintain pressure on Luanda. Widespread guerrilla activity, particularly near the capital, might inspire government leaders—who have escaped the effects of the fighting so far—to lobby for a military strategy that reduces government operations in the southeast in favor of defending the economically vital northern and central regions. [REDACTED]

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**EL SALVADOR:****Leftist Exiles Plan Strategy**

***The decision of two key insurgent political exiles to return to El Salvador probably reflects their dissatisfaction with the guerrillas' emphasis on terrorism and political violence and their desire to take advantage of public disillusionment with the ruling Christian Democrats.*** [redacted]

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The recent political killings attributed to the right have not caused the insurgents' political leaders to change their minds about returning to El Salvador later this month, according to the US Embassy. They have announced plans, including a political alliance with a small leftist party, to contest next year's legislative and municipal elections. Embassy reporting suggests that growing factionalism within President Duarte's party and among key supporters—such as labor—could enable the alliance to win as many as five seats. [redacted]

Although the two leaders claim they do not plan an open break with guerrilla hardliners, they will allow the relationship—which has deteriorated as the guerrillas increasingly turn to indiscriminate terrorism—to atrophy gradually, according to the Embassy. Front leaders have placated the guerrillas by maintaining that their return is intended to rejuvenate faltering political organizational efforts, [redacted]

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**Comment:** The insurgent political leaders reportedly are frustrated with their diminishing role and probably hope that rebuilding their long-neglected political bases will enable them to become an attractive alternative to both the armed insurgents and Duarte's lackluster Christian Democrats. [redacted]

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The exiles' return could provide the Salvadoran political system additional legitimacy and diminish the international appeal of the rebels—although it is unlikely to affect the pace of the war. In addition, a credible showing by the leftist party could stimulate the Christian Democrats to address much-needed internal reforms. Military discontent with civilian rule nonetheless will grow if front politicians do not renounce their alliance with the guerrillas or use their political positions to criticize the military's counterinsurgency operations or past human rights abuses. [redacted]

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**USSR: Soviet Authorities Quash Latvian Demonstration**

[redacted] Latvian authorities yesterday quashed the nationalist demonstration in Riga. They mobilized some 10,000 uniformed, plainclothes, and "voluntary" police—successfully sealing off the Freedom Monument, a popular gathering place near the city center that was to have been the focal point of the demonstration. The authorities prevented a march by more than 2,000 Latvian nationalists who had gathered for the event. In addition, the militia jailed at least three rally organizers and placed several others under house arrest. One organizer was expelled from the USSR to Austria the day before the scheduled march. [redacted]

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**Comment:** The Soviets' willingness to use force to break up the Latvian demonstration reflects a leadership shift to a more conservative position on dissent. Soviet leaders—increasingly apprehensive that growing nationalist unrest in the Baltic and other non-Russian republics could erode civil order throughout the USSR—are determined to discourage further rallies. [redacted]

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**USSR: Yel'tsin's New Appointment**

TASS announced yesterday that former Moscow party boss Boris Yel'tsin has been appointed first deputy chairman of the construction sector's coordinating body, the State Construction Committee, and that he will hold ministerial-level rank. Yel'tsin has an extensive background in construction, having served in related posts at Sverdlovsk in the 1960s and 1970s; he headed the Central Committee's construction department for a brief period in 1985.

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**Comment:** The appointment clearly is a demotion for Yel'tsin, but he is not in complete political disgrace. By giving Yel'tsin a lesser but important position, the leadership may be seeking to assuage fears that his removal as Moscow party chief is a retreat from the reform policies he championed. It appears that Premier Ryzhkov—an associate of Yel'tsin from Sverdlovsk—may have taken responsibility for finding him a suitable job. Yel'tsin will almost certainly lose his Politburo candidate membership but could retain his membership in the party's Central Committee. The announcement yesterday came amid rumors of Yel'tsin's failing health and probably is intended to end speculation on that subject. [redacted]

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**USSR-INDIA: Premier Ryzhkov Visits India**

Soviet Premier Ryzhkov will arrive in New Delhi tomorrow for a five-day visit. Ryzhkov, who will open a Soviet cultural festival, is the highest level visitor from the USSR to India since General Secretary Gorbachev's trip last November. The Soviet press has given prominent coverage to the visit, noting Prime Minister Gandhi's personal invitation to Ryzhkov and the "tradition of high-level exchanges of views" between the USSR and India.

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**Comment:** The Soviets probably planned the trip to reciprocate Gandhi's visit to Moscow in July and to counter the success of his trip to the US last month. Moscow may also be trying to measure the state of relations between New Delhi and Beijing following the just concluded round of Sino-Indian border talks. Neither side appears to be planning major substantive agreements, but Ryzhkov will probably try to enlist Indian diplomatic support for possible new proposals by the USSR on shortening the timetable for Soviet troop withdrawal from Afghanistan. India has recently floated proposals on Afghanistan at the South Asian regional summit and in the UN and may again be willing to lend Moscow support if it believes doing so will lead to a settlement. Ryzhkov may also continue Soviet efforts to reverse the recent slump in bilateral trade.

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**CHINA-INDIA: Border Talks End**

Talks in New Delhi between China and India concluded on Tuesday with little progress toward resolving their border dispute, according to the US Embassy. The two sides announced that the ninth round of border talks will be held next year in Beijing, at a date yet to be determined.

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**Comment:** Neither side is willing to make the territorial concessions necessary to resolve the border dispute and, instead, used the talks to improve the atmosphere for a long-term dialogue.

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**ITALY: Political Crisis Winding Down**

The governmental crisis caused by the Liberals' decision to withdraw from the ruling center-left coalition last Friday appears headed for resolution, but the Goria government's grip on power remains tenuous. President Cossiga today will resubmit the same government to Parliament for a vote of confidence, following the decision by the Liberals late yesterday to rejoin the ruling coalition. The Liberals' change of heart came after Goria gained the approval of the other coalition partners for a package of minor tax and spending cuts that satisfied the Liberals' minimum demands for a reduction of the public sector. [REDACTED]

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**Comment:** By resubmitting the incumbent Goria-led government rather than insisting on a formal reconstitution of the five-party coalition, Cossiga should head off potentially obstructive wrangling over the apportionment of cabinet portfolios. Although the government will easily win the confidence vote, it will remain weak because it lacks firm support from Socialist leader Craxi and Christian Democratic leader DeMita. The coalition will be periodically tested over the next few months as it confronts a range of controversial issues, including the budget, energy, judicial immunity, and reform of Italy's political institutions. [REDACTED]

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**ARGENTINA: Stalling on Human Rights**

President Alfonsin is using the courts to postpone impending trials of officers accused of human rights abuses and may be maneuvering to grant them amnesty. Despite a "due obedience" law passed last June to exonerate officers on grounds that they were following orders, many cases remain on the court dockets. The government is trying to delay the trials by urging the Argentine Supreme Court to remove the case files temporarily from the lower courts for review. [ ]

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[ ] Alfonsin may be seeking an amnesty for virtually all officers indicted for or convicted of human rights abuses or crimes related to the Falklands War in 1982. [ ]

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**Comment:** Ending the human rights trials outright would improve civil-military relations and lessen the prospect of additional Army revolts similar to the garrison uprising last April. Although Alfonsin has publicly rejected an amnesty, he may now believe it is the only way to reconcile the military to democratic institutions. Because such a move would be highly controversial—and opposed even by some in the President's own party—Alfonsin probably would postpone an amnesty until just before his term ends in 1989. [ ]

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**KENYA: More US Missionaries To Be Expelled**

Kenya, which expelled seven US clergymen last Friday on charges of plotting to unseat President Moi, has given eight more US missionaries until next Wednesday to leave the country. The US Embassy says that Nairobi has provided no explanation for the latest expulsions, and a Foreign Ministry official claims that his staff lacks the leverage to prevent immigration authorities from carrying out the deportations. The Embassy doubts the decision can be reversed. [ ]

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**Comment:** The new expulsions suggest policy drift in Nairobi rather than any intent to disrupt Kenya's close relations with the US; earlier this month, a four-week joint US-Kenya military exercise was completed without incident. Senior Kenyan officials have been preoccupied with the visit of West German Chancellor Kohl and with recent violent student protests that prompted the government to close Nairobi University on Monday. The expulsions are likely to increase international criticism of Kenya's human rights record, recently a sore point in bilateral relations with the US. [ ]

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**In Brief****Americas**

— Maoist Sendero Luminoso apparently responsible for bombing at US Embassy, attacks on three additional targets in Lima yesterday . . . coincide with convention of major **Peruvian** leftist groups and may be response to successes by rival pro-**Cuban** group. [redacted]

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— Monthlong labor strife continues in **Martinique's** capital after business shutdown Monday . . . slowdown by portworkers threatening vital agricultural, tourist sectors . . . potential for violence growing as economic situation worsens. [redacted]

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**Middle East**

— **Egypt** indicted 33 members of Islamic fundamentalist group for attempting to assassinate three prominent Egyptians last spring . . . will seek death penalty for 15 . . . case being tried as criminal matter, not likely to raise domestic tensions. [redacted]

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— Polisario launched two attacks against berm in **Western Sahara** yesterday, [redacted] . . . preliminary information indicates **Moroccans** fared well, destroying or capturing 13 armored vehicles. [redacted]

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**Europe**

— **Bulgarian** Foreign Minister in **Yugoslavia**, first such visit in seven years . . . precursor to Yugoslav-sponsored Balkan foreign ministers' conference early next year . . . Belgrade playing down concerns over ethnic issues to promote Balkan cooperation. [redacted]

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— **Polish** President Jaruzelski begins visit to **Greece** today . . . seeking endorsement of his European disarmament plan . . . formal agreement unlikely, but Greek Prime Minister Papandreou may give it rhetorical support. [redacted]

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**East Asia**

— **China** has agreed to token withdrawal of two **British** patrol boats from Hong Kong by 1989 . . . still opposes early withdrawal of 9,000 troops . . . wants to maintain rationale for bringing in sizable Chinese military presence in 1997. [redacted]

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**Special Analysis****ISRAEL:****Shamir's Washington Visit**

***Israeli Prime Minister Shamir—arriving in Washington this week at the midpoint of his 25-month term and in firm control of Israel's National Unity government—is likely to reiterate his objections to an international Middle East peace conference and to seek assurances that US aid will not be cut. Shamir will probably explore the chances for increased cooperation on future military projects, including Israel's Arrow antitactical ballistic missile, and ask for greater US support for Israeli access to NATO military service and supply contracts.***

Since regaining the prime-ministry in October 1986, Shamir has bolstered his leadership of the Likud bloc through deft maneuvering in the party's ranks. He almost certainly will seek to lead Likud in the parliamentary election scheduled for November 1988 and will probably win the party's nomination handily.

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Shamir also has been encouraged by Likud's growing popularity in public opinion polls in recent months. Likud has narrowed the Labor Party's lead from 10 to just a few Knesset seats. A dead heat in the election next year would make another Labor-Likud government the most likely governing coalition.

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The Prime Minister has outmaneuvered Foreign Minister Shamir, the Labor Party's chairman, on two key issues this year—blocking his bid for Cabinet approval of the international peace conference proposal and securing a majority in the Knesset against advancing the election date. Shamir is convinced that an international peace conference would lead to unbearable pressures on Israel to make major territorial concessions on the West Bank, Gaza Strip, and Golan Heights.

During his visit, Shamir is likely to reiterate his strong opposition to Peres's conference proposal. Emphasizing this position would improve his credentials with Likud's hardline constituency and its hawkish religious party allies. The Prime Minister will try to appear open to alternative ideas to engage Jordan and Syria in direct negotiations to demonstrate an image of flexibility on the peace process.

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Shamir has characterized the outcome of last week's Arab summit meeting as partially positive, describing the restoration of Arab ties to Egypt as proof that an Arab country can make peace with Israel and

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remain part of the Arab world. He was highly critical, however, of the summit's endorsement of an international conference with PLO participation. [REDACTED]

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The Prime Minister is likely to seek assurances that US aid will not be cut. He reminded US officials visiting Tel Aviv earlier this month that the US had committed itself to providing \$1.8 billion in annual military aid for the next two years and argued that the pledge should remain binding. Shamir will likewise seek continuation of economic assistance at the current level of \$1.2 billion per year. [REDACTED]

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Shamir will probably seek additional ways to alleviate the impact of canceling the Lavi fighter plane project, such as increased cooperation and joint ventures with the US, including funding for Israel's Arrow antitactical ballistic missile. He also will probably seek greater Israeli access to military service and equipment contracts in NATO as well as favorable prices for Israel's impending purchase of additional F-16s. [REDACTED]

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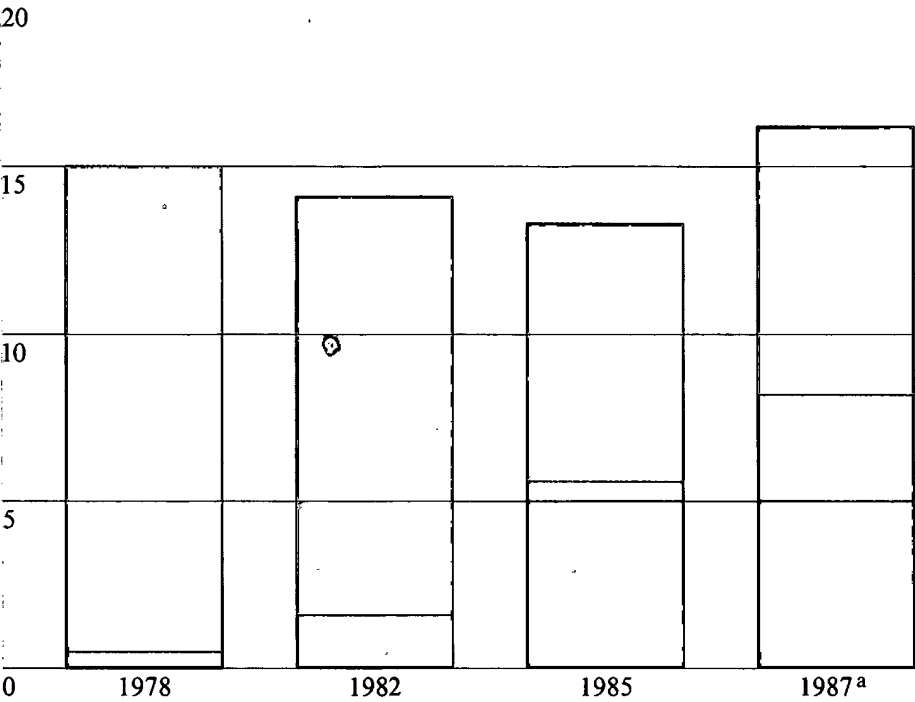
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Nicaragua: Military's Increasing Oil Consumption

Thousands of barrels per day

- Civilian
- Military



<sup>a</sup> Projection based on expected deliveries and estimated military requirements.

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Nicaragua: 1987 Petroleum Suppliers

	Barrels per day
USSR	8,033
Cuba	2,008
East Germany	1,807
Bulgaria	803
Poland	602
Czechoslovakia	602
Hungary	201
Others <sup>a</sup>	1,000
Total <sup>b</sup>	15,056

<sup>a</sup> Estimate.

<sup>b</sup> Does not include 300,000 barrel storage.

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**Special Analysis****NICARAGUA:****Coping With Oil Shortages**

***Nicaragua continues to face tight oil supplies, primarily because of poor planning and increased military fuel requirements, but regular Soviet deliveries have prevented paralyzing shortages. The Sandinistas so far have failed to obtain significant supplies from non-Soviet sources and are unable to decrease internal demand without reducing military consumption. Consequently, Managua probably will need supplemental shipments from the Soviet Bloc or Cuba to get through the remainder of the year.***

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The regime has tried without much success to reduce civilian consumption by restricting supplies and dampening internal demand. Since June, the government has ordered the country's only refinery to reduce most nonmilitary fuel allocations by 15 percent and, at the same time, has increased the price of gasoline almost 30 times above the May price, including a 200-percent increase announced on 8 November. Press and Embassy reporting indicates, however, that these price increases have failed to reduce demand, because Nicaragua's 2,000-percent inflation rate has kept real gasoline prices from rising above roughly 30 cents per gallon.

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**Causes of the Shortages**

Higher-than-expected consumption, rather than reduced supply, is largely responsible for Nicaragua's oil crunch. Increased military activity has driven up the armed forces' oil usage an estimated 15-fold since the Sandinistas came to power, and the military now consumes roughly one-half of Nicaragua's petroleum,

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Problems with distribution, scheduling, and maintenance at the refinery have aggravated the shortages. The US Embassy reports that the country's fleet of tanker trucks is deteriorating and inadequate for handling petroleum distribution. late deliveries of Soviet crude and a lack of hard currency to purchase spare parts have led to an increasing number of shutdowns this year at the refinery.

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Meanwhile, Soviet oil tankers have continued to arrive on an average of once every two weeks, refuting Sandinista statements in late May that Moscow might cut off oil deliveries. According to press reports

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and the regime's economic plan for this year, moreover, existing oil contracts with Cuba and Soviet Bloc creditors provide for a 4-percent increase over the amount delivered last year. [REDACTED]

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Consumption patterns early in the year probably were based on Managua's expectation of a larger increase in oil deliveries from the Bloc this year. The regime apparently had set up a shipping schedule with Moscow early this year that anticipated a 14-percent increase over deliveries last year. Failure to obtain firm commitments for these supplies—particularly from Czechoslovakia—has forced the Sandinistas to scramble for more oil. [REDACTED]

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### **Search for Oil**

The Sandinistas have had little success in recent months in persuading non-Soviet petroleum exporters to supply Nicaragua with oil on credit. Despite numerous pleas made throughout Latin America, Western Europe, and the Middle East, only Peru has agreed to help with a small shipment of fuel oil. [REDACTED]

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After failing to obtain oil elsewhere, Managua announced the signing of three additional contracts with the Soviet Bloc and Cuba in late summer. Moscow increased its allotment by one-third, providing an additional 730,000 barrels. Cuba increased its donation by almost 300,000 barrels, and Czechoslovakia agreed to finance an additional 210,000 barrels, still only one-third the amount Managua expected from Prague. [REDACTED]

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### **Outlook**

Nicaragua probably will need at least an additional 300,000 barrels of petroleum products to maintain current consumption levels until shipments for next year begin in January. To avoid a crisis, Moscow or Havana probably would agree to ship more oil next month—possibly charging the delivery to Managua's allotment for 1988. According to press reports, the USSR already has made commitments to finance the delivery of more than 2 million barrels of oil per year to Nicaragua until 1990. [REDACTED]

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